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RUEHTA/AMEMBASSY ALMATY 0571
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RUEHBJ/AMEMBASSY BEIJING 2703
RUEHRL/AMEMBASSY BERLIN 0489
RUEHEK/AMEMBASSY BISHKEK 0379
RUEHLM/AMEMBASSY COLOMBO 6021
RUEHKA/AMEMBASSY DHAKA 6025
RUEHDBU/AMEMBASSY DUSHANBE 0174
RUEHIL/AMEMBASSY ISLAMABAD 9051
RUEHBUL/AMEMBASSY KABUL 3066
RUEHKT/AMEMBASSY KATHMANDU 6710
RUEHLO/AMEMBASSY LONDON 0472
RUEHMO/AMEMBASSY MOSCOW 9027
RUEHNT/AMEMBASSY TASHKENT 0557
RUEHKO/AMEMBASSY TOKYO 3512
RUEHCI/AMCONSUL CALCUTTA 4941
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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 004588

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SUBJECT: INDIA WALKED A FINE LINE ON IRAN AT THE SCO SUMMIT

REF: NEW DELHI 4202

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Classified By: Ambassador Mulford for Reasons 1.4 (B, D)

1. (C) Indian Minister for Petroleum and Natural Gas Murli Deora told the Ambassador June 28 that he had informal conversations with Iranian President Ahmedinejad 3-4 times at the Shanghai Cooperation Organization summit, and while Ahmedinejad had been reserved due to India's IAEA votes against Iran, he was forthcoming in summoning his own energy minister when Deora complained about Iran's failure to respect its pricing in a USD 22 billion gas contract. Deora -- an avowedly pro-American Congress insider close to Sonia Gandhi -- was explicit that Indian Muslims care deeply about Iran, every Muslim vote will count in upcoming make-or-break state elections in Uttar Pradesh, and Congress needs every Muslim vote to win. As a result, Congress -- and, by extension, India -- will continue to walk the fine line between offending the United States and alienating a needed Muslim vote bank. End Summary.

Daniel in the Lion's Den

12. (C) The Shanghai Cooperation Organization summit put India between a rock and a hard place. Delhi needs to be aware of what China and Russia are scheming in its Central Asian back yard, but it could not afford to be seen to support positions such as those that call for withdrawal of US troops from Central Asia. The news that Ahmedinejad would also attend was all it took for Prime Minister Singh to announce he would not attend (conveniently, he had just had minor wrist surgery), but would send his oil and gas minister, the avowedly pro-American Murli Deora. In and of itself, Deora's designation to lead the Indian delegation sent a signal to Beijing, Moscow, and Tehran, and comforted us, too.

Iranians Reserved Due to IAEA Votes

13. (C) To find out what happened in Shanghai, the Ambassador and A/PolCouns paid a call on Deora on June 28. Deora explained that, with no designated Minister of External Affairs, the PM had been too busy to go, so he had sent Deora instead. The Chinese had nonetheless accorded Deora the treatment normally afforded to a head of state, and Deora had participated in all the summiteers' activities. Deora first bumped into Ahmedinejad on a boat ride, and immediately asked him why the Iranians had failed to comply with their signed contract to sell five million cubic meters of gas per annum for 25 years, worth a total of USD 22 billion, to India. Ahmedinejad, whom Deora described as relaxed in his other interactions but reserved with him because he was "very unhappy" with India's two anti-Iran votes in the IAEA, immediately summoned his own energy minister to address the

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matter. Deora added that Ahmedinejad seemed in a light mood at Shanghai, but was clearly a "smart, aggressive fellow" who was defiantly different, for instance by wearing undistinguished clothing and no tie at the formal dinner and other events.

Cooking With Gas? Not Really

14. (C) Deora further explained that Iran's failure to meet its commitments to India were causing a real energy crunch. The Tamil Nadu energy minister had just visited to complain that factories were out of gas and the economy was suffering. Qatar, while honest and reliable, simply did not have enough gas available for India's needs. Sakhalin might be a prospect, and Deora revealed he would meet Russian representatives later June 28. When Deora met the Iranian energy minister, he said that India expected Iran to abide by its commitments. The minister in turn said that the deal had to go before a few more reviews prior to being finalized, but Deora was tough, insisting that internal Iranian procedures were outside the scope of the agreement.

Pipe Dreams

15. (C) Deora also discussed the proposed Iran-Pakistan-India pipeline a bit with his counterpart, noted the Ambassador's concerns, and urged the USG, speaking as a well-known supporter of America, not to worry too much about the pipeline because the project was a "good idea." COMMENT: Since the Ambassador is aware of Deora's view that the pipeline is politically, financially, and probably technically impractical, the Ambassador assumed that Deora meant the project was a harmless bit of positive P.R. in Indian politics. END COMMENT.

Every Vote Counts

16. (C) When the Ambassador explained in detail our

frustration with Iran, our expectation of an answer by the G-8 regarding the P-6 proposal, and the unhelpfulness of recent NAM statements, Deora insisted the USG could not imagine the strength of support for Iran and ahmedinejad among Indian Muslims. Muslim groups had put 150,000 on the streets of Mumbai and 100,000 on the streets of Delhi to protest American policy before the President's March 2006 visit. If Congress loses the Muslim vote, it cannot win. Muslims were traditional Congress supporters, explained Deora, and the Congress-led government could not avoid participating in the NAM as a result. Quoting Lincoln, Deora said, "you can't fool all the people all the time," but Congress was trying hard to do so and avoid electoral disaster as Uttar Pradesh polls loom over the horizon. Uttar

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Pradesh, with 170 million people, is the most populous state in the Union and governments at the Center cannot last without UP support (see reftel for more on Congress paranoia about loss of support in heavily-Muslim UP).

COMMENT: Caught Between Scylla and Charibdis

17. (C) India handled the SCO meeting fairly smartly. They avoided sending the PM, who might have risked bumping into Ahmedinejad and offending Washington, but they did send their pro-American energy minister who has the most equities with Iran. Similarly, in the NAM, they have to balance their fear of offending Congress and the Administration with their dire fear of losing the Muslim vote. While some are saying the PM will attend the NAM summit in Cuba in September, we are working to convince the Indians to do in Havana what they did in Shanghai and Kuala Lumpur, ie, not put the PM in the embrace of the Ahmedinejads, Chavezs, and Castros of the world and to try again to blunt the NAM's initial language on Iran. Ultimately, the Indians will have to decide if the NAM really is worth all the bother, but as long as the UPA governs, that will require Congress politicians first to forge vote blocks that do not rely on the critical Muslim swing vote in order to prevail at the Center. End Comment.

MULFORD